



# Offer in Compromise of Tax Liability



Utah State Tax Commission  
Taxpayer Services Division

210 North 1950 West  
Salt Lake City, Utah 84134  
(801) 297-6299  
1-800-662-4335  
[www.tax.utah.gov](http://www.tax.utah.gov)

*If you need an accommodation under the Americans with Disabilities Act, contact the Tax Commission at (801) 297-3811, or TDD (801) 297-2020. Please allow three working days for a response.*

## General Information

It is the policy of the Utah State Tax Commission to implement the Offer in Compromise procedure in a fair and expeditious manner.

### Definition

An Offer in Compromise is the settlement of a tax liability for less than full payment when it is determined that no other means is available to the Tax Commission to collect the full amount. The taxpayer has the burden of proof to establish the grounds of the settlement, and must provide sufficient documentation to prove the case.

**The taxpayer does not have a legal right to have the tax liability settled through an Offer in Compromise.**

### Who Qualifies?

**The following provides helpful information about the Offer in Compromise policy of the Utah State Tax Commission.**

When an analysis of taxpayer's assets, liabilities, income and expenses shows that a liability cannot realistically be paid in full in the foreseeable future, an offer in compromise can be considered.

An Offer in Compromise must cover the liability for tax, penalty and interest for the entire account. If the offer is accepted by the Tax Commission, the liability for the period(s) covered by the offer are conclusively and finally settled (with the exception of future audits).

When an offer is submitted and there is no reason to believe that collection of the tax liability sought to be compromised would be jeopardized, collection activity is normally suspended. However, the submission of an offer should not be considered an automatic stay, particularly if the proposal is frivolous or appears to be a delaying tactic.

If an offer is accepted, the taxpayer will be notified in writing. All action prior to that point constitutes a recommendation only.

## Capacity to Pay

**An offer must reflect the taxpayer's maximum capacity to pay. The following circumstances are considered in making that determination:**

- Liquidation of assets and payments from present and future income will not result in full payment of the tax liability.
- A non-liable spouse has property which they may be willing to utilize in order to secure a compromise of the spouse's tax debt.
- A non-liable third party may be interested in purchasing the taxpayer's business assets.
- The taxpayer has an interest in assets, against which collection action cannot be taken, which he is selling.
- Amounts that may be collectable through the successor liability or personal assessments programs.
- Collateral agreements may be secured as additional consideration for acceptance of the offer.

## Collateral Agreements

If a collateral agreement is needed for an offer to be approved, the taxpayer will be notified. Collateral agreements may provide for:

- Payments from future income.
- Waiver of net operating loss or unused investment credit carrybacks or carryovers.
- Waiver of bad debt loss or other deductions.

## Approved Offers

If the offer is approved, the taxpayer will be notified in writing. The taxpayer will be given an appropriate amount of time in which to submit the amount of the offer to the Tax Commission.

If the offer is approved, the taxpayer may be required to waive certain refunds or credits. These refunds or credits cover periods that end before, within, or as of the end of the calendar year in which the offer is accepted. Offsets are limited to the difference between the tax liability and the amount of the offer accepted and paid.

## Denied Offers

Denial of an offer will be made if any of the following circumstances are found:

- There is no question as to the collectability. (The taxpayer can pay the account in full.)
- The offer is determined to be frivolous.
- The offer was filed merely to delay collection action.
- The taxpayer has submitted an amended offer which is not significantly different from a previously denied offer.

The taxpayer will be notified, in writing, that the offer has been denied. The taxpayer may submit a new or amended offer. The new or amended offer will be considered if it resolves all issues which caused the prior offer to be denied.

## Amending an Offer

An amended offer changes the amount and/or terms of the offer in compromise. Taxpayers may amend an offer by:

- Making and initialing a change on the original offer.
- Submitting a separate statement outlining the change.
- Submitting a new offer.

If the taxpayer amends an offer by submitting a separate statement, the statement should be signed, dated, and properly referenced to the original offer.

## Offer in Compromise Procedures

A request for an offer in compromise must contain the following documentation before it will be processed:

- A signed statement from the taxpayer requesting the offer, detailing the terms of the offer, and providing the grounds for its acceptance.
- A current financial statement from the taxpayer.
- Written evidence to support the offer. Oral statements are not considered tangible evidence on which to base a decision.

Once a complete offer in compromise has been received, the Tax Commission will:

- Review the reason for the request and the documentation provided.
- Determine if more documentation is needed to consider the request. If additional information is required, the taxpayer will be asked to provide the necessary documentation.
- Conduct an investigation into the case to determine the appropriate decision.